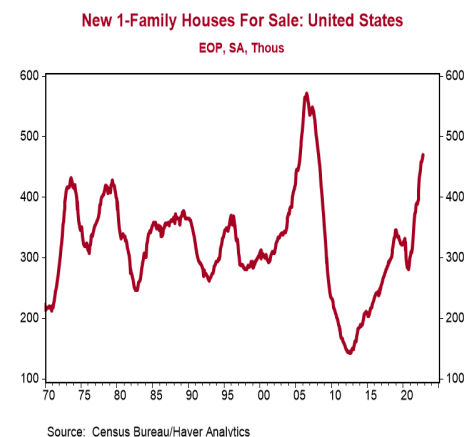
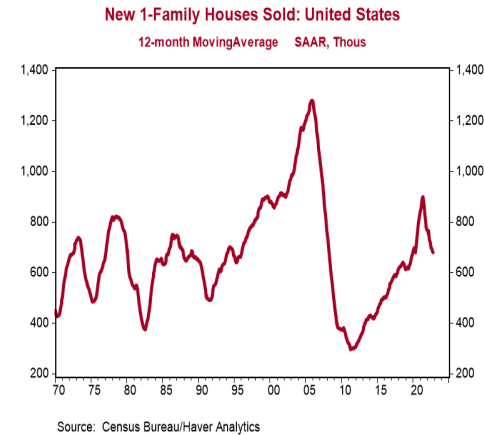


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October New Home Sales

- New single-family home sales increased 7.5% in October to a 0.632 million annual rate, beating the consensus expected 0.570 million. Sales are down 5.8% from a year ago.
- Sales in October rose in the South and Northeast, but fell in the Midwest and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 8.9 in October from 9.4 in September. The decline was due to a faster pace of sales more than offsetting a 7,000 unit increase in inventories.
- The median price of new homes sold was \$493,000 in October, up 15.4% from a year ago. The average price of new homes sold was \$544,000, up 11.5% versus last year.

Implications: New home sales surprised to the upside in October, largely the result of a rebound in activity in the South. Given the geographical concentration, it looks like most of today's rebound was the result of sales snapping back after temporary disruptions related to Hurricane Ian in September. That said, with sales down 39.0% from the peak and 5.8% from a year ago, it does look like activity may be starting to stabilize. The main issue in 2022 has been declining affordability, with potential buyers getting squeezed by both higher prices and rapidly rising mortgage rates. Assuming a 20% down payment, the change in mortgage rates and home prices just since December amount to an 87% increase in monthly payments on a new 30-year mortgage for the median new home. No wonder sales have slowed down! Even though 30-year mortgage rates remain a significant headwind and currently sit near 7%, it's important to note that rates have recently fallen roughly 50 basis points from the peak. Another piece of good news is that while a lack of inventory has certainly contributed to price gains in the past couple of years, that is no longer as much of a problem. The months' supply of new homes (how long it would take to sell the current inventory at today's sales pace) is now 8.9, up significantly from 3.3 early on in the pandemic. While the months' supply of completed homes is still a relatively low 1.2, the inventory of completed single-family homes has begun to rise quite rapidly as builders finish more units and rising cancellation rates on purchases leave potential buyers with more options. While we don't get new reports on some of our favorite home price data until next week, it's clear that this additional inventory is contributing to the decelerating trend in homes prices that we reported on [last month](#). Though not a recipe for a significant rebound, the combination of moderating mortgage rates and more inventories should help put a floor under sales activity.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Oct-22		Sep-22	Aug-22	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	7.5%	632	588	661	627	605	-5.8
Northeast	45.7%	51	35	26	37	29	59.4
Midwest	-34.2%	50	76	65	64	60	-26.5
South	16.0%	399	344	433	392	384	-0.2
West	-0.8%	132	133	137	134	132	-22.8
Median Sales Price (\$, NSA)	8.2%	493,000	455,700	441,400	463,367	458,617	15.4
		Oct-22	Sep-22	Aug-22	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.9	9.4	8.3	8.9	9.1	7.8

Source: Bureau of the Census